



Request for City Council Committee Action From the Department of the City Coordinator

Date June 3, 2002

To Ways & Means/Budget Committee

Prepared or Submitted by: Kim Havey, Director Minneapolis Empowerment Zone

Phone: 673-5415

Approved by John Moir, City Coordinator

Subject Empowerment Zone Loan Fund

Presenters in Committee: Kim Havey and Sarah Moffitt, Minneapolis Empowerment Zone

Recommendation

1. Approve applicant award recommendations;
2. Approve authorization of necessary contracting agreements between awardees and the Empowerment Zone; and
3. Authorize \$1,000,000 for the Empowerment Zone, payable from 0300-840-8460.

Financial Impact (Check those that apply)

☒ No financial impact or Action is within current budget.

☐ Action requires an appropriation increase to the Capital Budget

☐ Action requires an appropriation increase to the Operating Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☐ Other financial impact (Explain):

☐ Request provided to the Budget Office when provided to the Committee Coordinator

Previous Directives March 1, 2002, Minneapolis City Council approved the Empowerment Zone Loan RFP process as well as the Minneapolis Empowerment Zone Small Business Initiative Loan Fund.

The goal of the Empowerment Zone's Small Business Initiative Loan Fund is to make funds and resources available to small businesses within the boundaries of the Empowerment Zone. The intention is to address the following needs: 1) small businesses owned by the minority populations that comprise the Empowerment Zone or business owners who have a difficulty getting loans or investments from traditional lenders for their viable ideas because they lack credit or assets; and 2) start-up ideas or businesses that want to maintain or expand but don't have the know-how and need Technical

Assistance to achieve these goals. Examples of EZ's target recipients may be a neighborhood grocery store looking to expand, a neighbor who wants to start up a small landscaping business but has limited funds for equipment, a local tailor looking to move from their home to a commercial area for more business, or a home-based daycare provider.

The EZ has created this fund to encourage community lenders (who will be referred to as intermediaries) to lend to EZ target recipients. These intermediaries may be non-profits, banks, or neighborhood or community development agencies who invest in these higher-risk businesses. The EZ is looking for these experienced intermediaries to administer the loans. Intermediaries will apply to the EZ for loan funds. These funds are then lent to businesses that apply to these intermediaries. Loan funds can be used for current capital needs or slightly longer-term equity needs to leverage other investors.

Background/Supporting Information -

The Empowerment Zone received eleven applications from area intermediaries for the technical assistance, capital and deferred loan funds. (See attached chart outlining applicants, request amounts and awards.)

An application review committee comprised of Empowerment Zone Governance Board members, staff and local community lenders reviewed the applications based on their prior lending and technical assistance experience, financial status, and current assistance and lending presence in the EZ. The review committee's funding recommendations were presented to and approved by the EZ Executive Committee on May 9, 2002.

The Empowerment Zone's goal is to get technical assistance and loans funds to EZ businesses as soon as possible. To attain this goal, contract execution and the disbursement of funds would occur in June and early July.

To maintain that funds are being properly used and the program is effective, quarterly reports are due to the EZ from the intermediaries. The reports will outline the financial terms of each loan, technical assistance provided, funds that were leveraged with the EZ dollars and problems and successes of each small businesses assisted.